



# Richard Cluver Predicts

In our 32nd year of service to the investing public



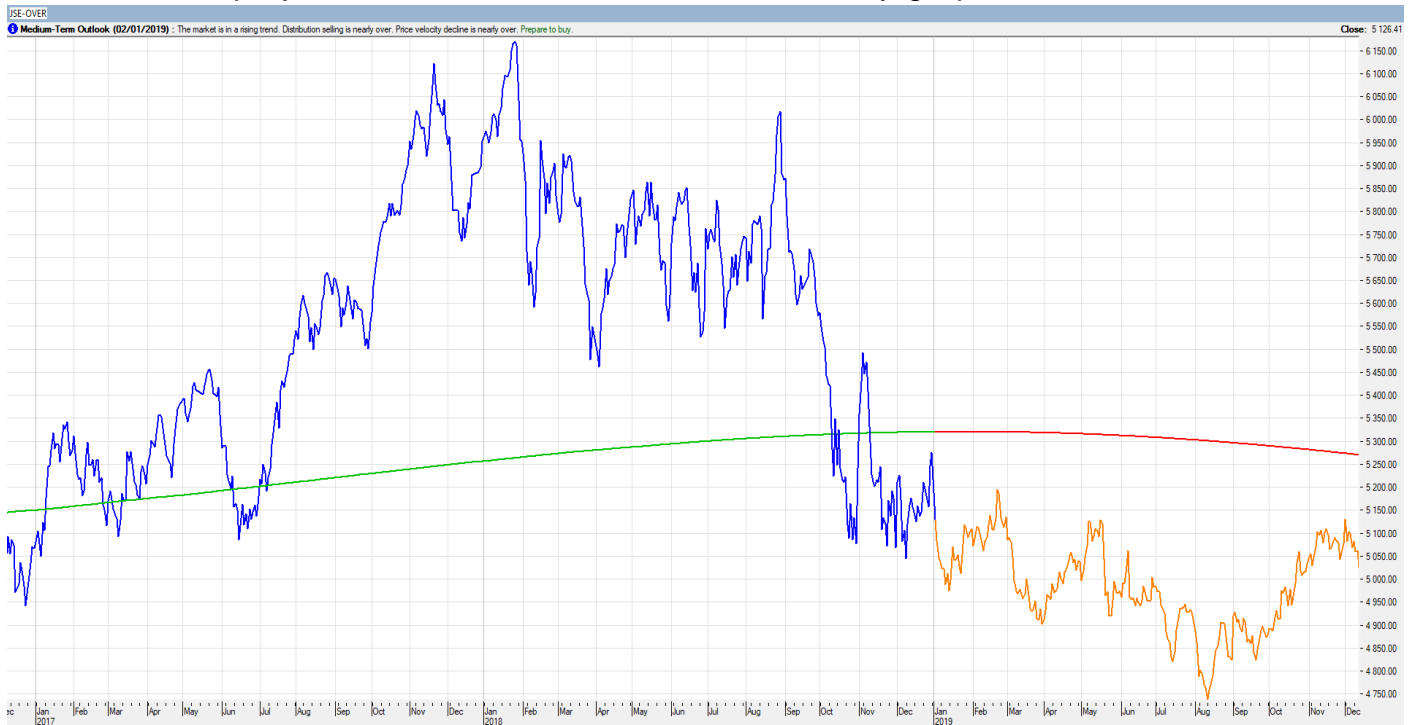
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The past 12 months have been torrid ones for South African investors who have seen the JSE All Share Index lose eleven percent overall in Rand terms and in Dollar terms a shattering 24 percent.

It has, furthermore, not begun well for the index with worst to come until mid-August if ShareFinder's projections are as accurate as usual as my graph below illustrates:



That said, international markets did not do particularly well either and their outlook is similarly not very reassuring.

Wall Street ,as measured by the S&P500 Index, was down 15.18 percent on its September 21 peak and ShareFinder's projection is that the US markets will continue on down until at least September on the back of uncertainty over President Donald Trump's foreign policies, in particular his trade war with China, and the US Federal Reserve's stated intention of continuing to raise interest rates in order to head off an anticipated increase in the inflation rate this year.

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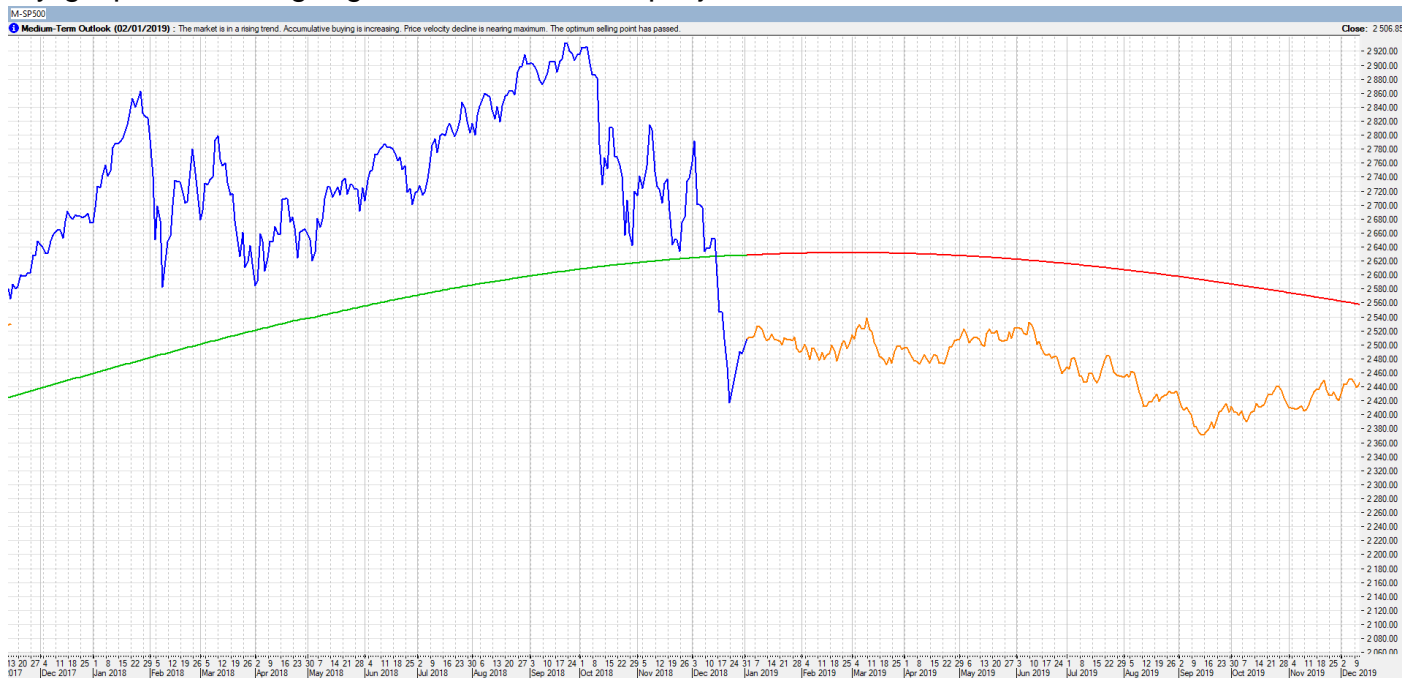
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# My graph below highlights ShareFinder's projections for the S&P500:



Meanwhile, Britain's uncertainty over its Brexit issues mean that the Footsie took considerable strain as well and it is also likely to continue on downwards for the foreseeable future. Since its peak in May, the London exchange has lost 16.68 percent and ShareFinder projects that it is likely to continue losing until September at least as illustrated below:



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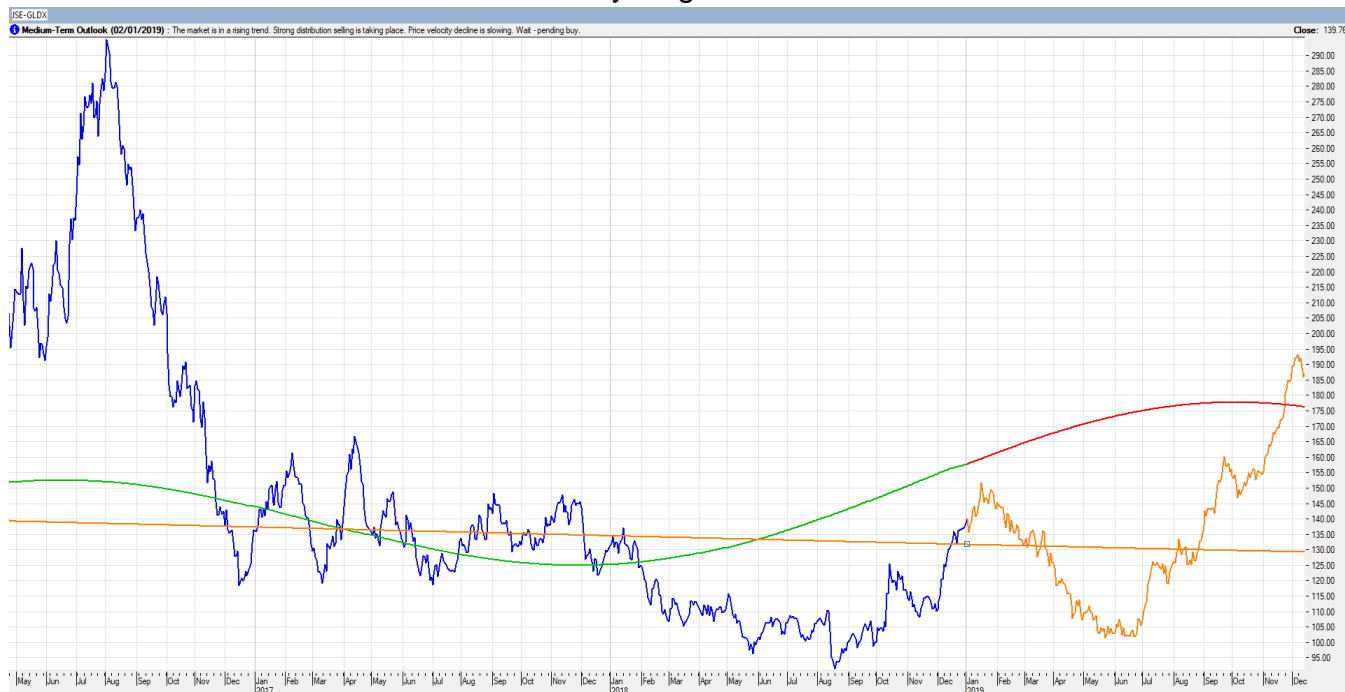
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Rather more promising, however, is the outlook for South African Blue Chip shares which, although ending the year down 18 percent from their January peak, have actually been on a recovery trail since late October and they are set to continue rising at least until mid-May:



Hardly surprising in the circumstances, SA gold shares have been on a recovery trail since mid-August. However, this should be seen as something of a “dead cat bounce” after their dramatic collapse since August 2016 which by August last year had cost them almost 70 percent of their value. Moreover, ShareFinder projects that their run is nearly over anticipating a down-trend beginning within the next fortnight which could take them down until June before the next recovery begins:



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Lest you think that the performance of gold mining shares has been a function of the fact that this is a twilight industry in South Africa, you should note that gold bullion measured in US dollars has not fared any better. And it is likely to have a torrid time this year if ShareFinder's projections are correct:



The world economic scene probably faces its greatest degree of uncertainty in many years as we enter 2019 and, of course, the greatest drag on investment markets is uncertainty. So, it is hardly surprising that markets look as negative as they do.

So far as South African investors are concerned, the fact that Cyril Ramaphosa's "New Dawn" has, after eleven months, failed to deliver much beyond greatly increased proof of the horrors of state capture, is arguably our greatest worry. Judicial enquiries have named most of the major culprits and yet, inexplicably, none are yet wearing orange overalls. Indeed, we are yet to hear of anyone actually facing charges.

Increasingly, South Africans are beginning to believe the gainsayers who argue that our new president's silence during his years as deputy to Jacob Zuma makes him as complicit as the rest of his party. Further, given the fact that he owes his position to his deputy David Mabuza who, if the very respected New York Times is to be believed in its weekend expose and the deafening ANC silence that has followed it (see story attached) then it might be argued that the corruption runs right to the top and only the ineptitude of the official opposition makes the outcome of the coming May general election a doubtful outcome.

I am by nature, an optimist but I have to confess that I can see little to feel optimistic about in 2019! In the eyes of the outside world Nelson Mandela's once proud Rainbow Nation is now seen as yet another African kleptocracy.

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If the ANC's property expropriation without compensation has not already made us an investment pariah, the New York Times story ensures that, if it is not swiftly and satisfactorily addressed, we can kiss goodbye to our hopes of life-giving foreign investment

## The next month:

**New York's SP500:** I correctly predicted a recovery which I saw lasting until the second week of January followed by weakness for most of the year. Now I see the recovery ending today ahead of a month-long period of weakness.

**London's Footsie:** I correctly predicted a recovery lasting into January. Now I see the trend peaking around the 9<sup>th</sup> followed by weakness into February.

**JSE Industrial Index:** I correctly predicted a very volatile upward trend until the end of the month followed by a decline which I see lasting until the 9<sup>th</sup> before a brief gain until the 16<sup>th</sup> and then declines into mid-February.

**Top 40 Index:** I correctly predicted declines until the end of December with a brief intermittent correction. Now I see further declines until January 9 followed by a brief recovery until January 18 but this is all brief interim noise in a longer-term decline until August.

**ShareFinder Blue Chip Index:** I correctly predicted an upward turn followed by a decline that I now see lasting into February.

**Gold shares:** I correctly predicted gains lasting until around January 11. Now I see them extending into early February followed by a downhill until mid-year.

**Gold Bullion:** I wrongly predicted declines into early January but the recovery trend is likely to end within the next day or two followed by declines into February within a longer-term decline until the end of the year.

**The Rand:** I correctly predicted gains which I now see lasting until the end of this month within an overall trend towards weakness until the end of April.

***The Predicts accuracy rate on a running average basis over the past 688 weeks has been 84.94%. For the past 12 months it has been 93.44%.***

**Richard Cluver**

### From the Daily Maverick

While acting President David Mabuza was taking care of the country at the weekend while President Cyril Ramaphosa attended the wedding of his son Andile in Uganda, the world's most respected newspaper, The New York Times, published an in-depth and devastating investigation of how the country's Deputy President allegedly siphoned off millions from Mpumalanga schools to "buy loyalty and amass

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enormous power” in the party.

Donald Trump might have fingered the *New York Times* as a purveyor of “fake news” but the *The Gray Lady* (as the NYT is often referred to) has won 125 Pulitzer prizes and is widely regarded as the most influential daily newspaper in the world.

Which is why one would have imagined that ANC, President Ramaphosa, or his government at least, would have been roused to swift action in an attempt to mop up the considerable reputational damage not only to Mabuza, but the governing party, the ANC-led government and South Africa itself.

The *New York Times* investigation by Norimitsu Onishi, seasoned NYT Johannesburg bureau chief, and journalist Selam Gebrekidan, titled “South Africa Vows to End Corruption. Are Its New Leaders Part of the Problem?”, was published prominently on Saturday on page one and continued inside including a two-page spread of photographs.

It is a damning portrait of Mabuza, who is revealed as a power-hungry, corrupt man who bought loyalty and his leadership in the party. Mabuza declined to be interviewed for the piece, as did President Ramaphosa.

Mpumalanga province, said the NYT, had become known “as one of South Africa’s most dangerous. Nearly 20 politicians, most from inside the A.N.C., were assassinated in the past two decades, some after exposing graft in public works projects”.

By Monday evening, two days after publication of the devastating investigation, not a peep from the ANC, Mabuza’s office or anyone else.

It was as if the governing party, and the Presidency, and the Deputy Presidency, were hoping that it would all just blow over.

But not making metaphorical eye contact with the NYT and pretending that the investigation will not affect how South Africa is viewed by the international community will not be viewed positively. Even a simple “we have noted the claims and will investigate” might have held back the negative tide for a while.

Instead, over on Twitter, the governing party’s @MyANC account was posting pictures of President Ramaphosa’s breakfast with former President Mbeki and ANC national officials meeting with the executive committee of the Premier Soccer League Executive over at Luthuli house. The account also tweeted about Pule Mabe’s appearance on *eNCA* to “unpack #ThumaMina following a successful countrywide rollout over the past weekend”.

*Daily Maverick*’s emails and WhatsApp messages to Deputy President Mabuza’s office as well as ANC national spokesperson, Pule Mabe, with regard to whether the

government or the ANC would be issuing a statement in reaction to the serious allegations in the NYT piece, were met with silence.

An attempt to contact ANC Secretary-General Ace Magashule also disappeared into a void.

The Hawks and the NPA too appear to be distracted (or not) elsewhere with the mounting pile of evidence of State Capture.

So what did Onishi and Bebrekidan find?

First up, the journalists claim that Mabuza, as Mpumalanga Premier, had siphoned off money “from schools and other public services to buy loyalty and amass enormous power, making him impossible to ignore on the national stage and putting him in position to shape South Africa for years to come”.

Under Mabuza’s leadership, wrote the journalists, millions earmarked for schools in Mabuza’s province “have been misspent year after year, according to the national government. His province routinely spent less on poor students than required, and school construction projects have been riddled with inflated costs, government records show”.

Funds had also “disappeared into a vortex of suspicious spending, shoddy public construction and brazen corruption to fuel his political ambitions, according to government records and officials in his party”.

“Nearly a quarter of the primary schools in Mr. Mabuza’s province still have only dilapidated pit toilets, despite ample government funds to fix them. And during his tenure, his province was caught fabricating the passing rates on the annual national exam, enabling him to claim big leaps forward that never happened.”

Over on Deputy President Mabuza’s Twitter [timeline](#), in the meantime, are pics of the former premier, looking comfortable in orange overalls, flanked by Mpumalanga Provincial Government officials on 18 July, Mandela Day, showed him handing out “school uniforms to the needy, and sanitary towels to girl learners. This, we are doing to ensure their dignity.”



The NYT wrote that Mabuza's political career in the small province flourished as he attracted "legions of new A.N.C. members with government contracts, cash handouts and even KFC meals, according to current and former party officials".

"His sweeping recruitment drive turned his relatively insignificant province into the A.N.C.'s second-biggest voting bloc. Under the party's delegate system, his territory became more influential than even Gauteng, the province that includes Johannesburg and Pretoria, with a population three times the size and an economy nearly five times as big."

Mabuza's tainted legacy, said the NYT, "casts doubt on the legitimacy of the new government and its bold assertions that the A.N.C. is turning the page on corruption".

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The journalists quote Sandile Sukati, who recruited Mabuza, then a teacher, to build anti-apartheid networks inside South Africa after the 1976 uprisings.

It was only after the country's first democratic elections that Mabuza "quickly ran into trouble "leading to the province's first big scandal". Three years after Mabuza had been appointed MEC of Education in the province schools began to perform badly.

"Mr. Mabuza was feeling the pressure, particularly as powerful A.N.C. leaders returned from exile, often with military credentials that overshadowed his own, several current and former A.N.C. officials said."

But the following year "brought a stunning improvement. The passing rate inexplicably jumped to 72 percent — an incredible turnaround that catapulted Mpumalanga to No. 2 among the nation's nine provinces."

The journalists quote Mr Sukati, now a senior official in the education department, as saying he was suspicious of the sudden sterling performance in the province.

"A whistle-blower exposed the cheating a few weeks later. The real passing rate, the authorities announced, was under 53 percent. Moreover, the doctoring had taken place inside Mr. Mabuza's residence, where he met with a small circle of bureaucrats, some of whom were later fired, current and former A.N.C. officials said."

The investigation was never completed and Mabuza "never admitted wrongdoing or suffered any significant consequences. Dropped as education minister, he was named head of housing instead".

In 2009 Mabuza was appointed by President Jacob Zuma as Premier of Mpumalanga and at the ANC's elective conference at Nasrec in December 2017 Mabuza pulled off the greatest double-cross, supporting Ramaphosa's slate instead of that of Nkosazana Dlamini Zuma – primed to be Jacob Zuma's successor as leader. It was Mabuza who delivered a hollowed-out and bought ANC to Cyril Ramaphosa.

Collen Sedibe, a former ANC leader who grew up with Mabuza and who worked with him, explained to the NYT how the premier concentrated power in his office, establishing a "Rapid Implementation Unit" and stripping authority from local officials.

"That's how he managed to loot," Sedibe told the journalists.

The report claims that Treasury officials in the province are investigating the irregular expenses incurred during Mabuza's term as premier.

If there is a shadow that darkens Ramaphosa and the ANC's "new dawn" it is individuals in the party like Mabuza who have "outsize' influence over the governing party and its future, which is inexorably tied to that of South Africa.<sup>174</sup>

In this instance, everybody's silence speaks volumes. **DM**

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